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Department of Agriculture  
Agricultural Marketing Service  
7 CFR Part 1032  
[Docket No. AO-313-A48; DA-04-06]  
Hearing Held at the Hilton Kansas City Airport  
8801 NW 112<sup>th</sup> St.  
Kansas City, MO  
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My name is Gary Lee. I am employed by Prairie Farms Dairy, Inc. as the Vice President of Procurement and Planning.

Prairie Farms is a Capper-Volsted Cooperative headquartered in Carlinville, Illinois. In October 2004 Prairie Farms had 833 members. Of those 833 members, 485 were located in Illinois, 84 in Iowa, 102 in Missouri, 150 in Indiana, 9 in Michigan and 3 in Ohio.

All of the producers located in Illinois, Iowa and Missouri ship direct to our pool distributing and cultured product plants pooled on Order 32.

Fluid distributing plants are located in Peoria, IL; Quincy, IL; Carlinville, IL; Olney, IL; Granite City, IL and St. Louis, MO. Cultured product plants are located in Quincy, IL and Carbondale, IL. The fluid distributing plant in St. Louis also makes cultured products.

Exhibit \_\_\_\_ is a set of maps by county of Illinois, Iowa and Missouri. It shows how many Prairie Farms members were located in each of those counties in October 2004. There is also an asterisk in each county where one of our Order 32 plants is located.

You can see from this exhibit that a high percentage of our members are located reasonably near our processing plants. These producers provide over 70% of the milk used at these plants on a 12-month basis. The balancing milk supplies are purchased from cooperatives located in Iowa, Minnesota and Wisconsin.

All of our producers located in IN, MI and OH ship direct to our Order 33 fluid distributing plants located in Anderson, IN, Ft. Wayne, IN and Battle Creek, MI. The plant in Ft. Wayne also produces cultured products.

We are also 50% participants in 2 joint ventures with Dairy Farmers of America that operate fluid distributing plants pooled on Order 32. These joint ventures are the Roberts Dairy Co. and the Hiland Dairy Foods Co. In each of these joint ventures, Prairie Farms provides management and DFA arranges for the milk supply.

SERVING: ILLINOIS • INDIANA • MISSOURI • IOWA • KENTUCKY • TENNESSEE  
NEBRASKA • MICHIGAN • OHIO • OKLAHOMA • ARKANSAS • KANSAS

Roberts Dairy Co. operates fluid distributing plants located in Iowa City, IA; Des Moines, IA; Omaha, NE; and Kansas City, MO all pooled on Order 32.

Hiland Dairy Foods Co. operates fluid distributing plants located in Wichita, KS; Chandler, OK; and Norman, OK all pooled on Order 32.

Hiland Dairy Foods Co. also operates fluid distributing plants located in Springfield, MO; Fayetteville, AR and Ft. Smith, AR all pooled on Order 7.

As you can see, Prairie Farms has a great deal of interest in anything impacting Order 32.

It is troublesome to Prairie Farms that it is necessary to have a hearing to amend Order 32 just 3 years after we had a similar hearing. At the hearing in November 2001 we heard proposals to strengthen shipping requirements in order for producer milk to remain qualified on Order 32. The primary reason for the proposals presented at that hearing was that the difference in uniform price between the Base Zone of Order 32 and the Base Zone of Order 30 was not enough by itself to attract necessary balancing supplies of milk to St. Louis, Kansas City and Southern Illinois. At the same time the uniform price in the St. Louis and Southern Illinois areas was such that local producer milk in those areas was being attracted to plants pooled on Order 5 and Order 7.

Exhibit \_\_\_\_\_ is a set of 5 charts showing a comparison of the statistical uniform prices for the Base Zones of Orders 30 and 32 and Order 5 in the  $-.90$  Zone and Order 7 in the  $-.70$  Zone each month since Order Reform was implemented. The Zones used in Orders 5 and 7 are where the pool distributing plants closest to St. Louis and Southern Illinois are located.

The point of this exhibit is to show that little has changed on Order 32 relative to surrounding orders. The difference in price between St. Louis and Rochester will not come close to covering the cost of hauling bulk milk that far. At the same time dairy farmers located in the southern one-third of Illinois and southeast one-fourth of Missouri can ship to plants located in Evansville, IN or Murray, KY and probably easily cover all additional hauling costs to do so.

Exhibit \_\_\_\_\_ is a one-page chart showing distance from Rochester, MN to St. Louis, MO and from St. Louis, Olney, IL and Carbondale, IL to Evansville, IN and Murray, KY. It also shows the estimated cost per hundred to transport a 48,000 pound load of bulk milk between the aforementioned points. Mileages were provided by the Order 32 Market Administrator's office. Estimated cost per loaded mile was \$2.20.

If we at Prairie Farms had our preference, we would not be here today discussing more tweaks to Order 32. Instead we would be discussing how to best disassemble and remake Order 32 by creating several new orders from the current order or simply annexing various parts of it to adjacent orders.

Such a proposal was made jointly by Dean Foods and Prairie Farms at the hearing to merge Orders 5 and 7 in February 2004. The department chose to disregard that proposal.

We feel that in its current configuration, Order 32 is simply too geographically large and diverse to find a one size fits all solution to price imbalances with surrounding orders. However, we feel that proposals 1 and 2 are reasonable attempts to try to alleviate these problems.

We feel most strongly about proposals to change §1032.13(d) and §1032.13(f).

With the elimination of the Western Order 135 it seems logical that milk located in Utah and Idaho will eventually seek a market in a nearby state. Proposal 1 will provide a safeguard that producer milk, which was formerly pooled on Order 135, will not be able to seek a platform on which to "ride" Order 32. It is not the fault of dairy farmers located in eastern Iowa and eastern Missouri and southern Illinois that dairy farmers formerly associated with Order 135 chose to vote out their order. It should not be the responsibility of long time Order 32 producers to provide former Order 135 producers with an order in which to park milk.

As we said earlier, Prairie Farms operates 6 fluid milk-processing plants pooled on Order 32. Seventy percent of the milk used at those plants comes from Prairie Farms members. Because those plants are pool-distributing plants, they are part of the order every month. As a result, Prairie Farms members share their Class I utilization with all milk on the market each month. They have no other choice.

Because of weaknesses in Order 32, milk that goes to stand alone plants that process Class 2, 3 or 4 milk does not have to be pooled if it is advantageous not to do so. Federal Orders were originally created to help secure supplies of milk for Class 1 handlers and provide for sharing of revenue from all uses of milk on the order. We feel that is still the best intent of federal orders.

Allowing producers who supply other than Class 1 to jump in and out of the order at will is not in the best interest of orders.

We feel that this hearing is one last attempt to provide better price balance between Order 32 and surrounding orders. Failure to achieve this should and hopefully will result in the elimination of Order 32.